

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

BULLETIN NO. 65-10

June 10, 1965

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Upper level grades and average salaries

1. Purpose. This Bulletin is issued to (a) confirm and clarify policies previously communicated to each agency head with regard to upper level grades and average salaries, and (b) establish certain procedures to be followed in these matters.

2. Policy and background. After the establishment of the comparability pay principle in the 1962 Pay Act, the Congress noted that "there no longer remains any justification for the continuation of the inflationary trend of upgrading of positions under the Classification Act." This notice was not to "be interpreted as prohibiting in any way the necessary and proper reclassification of positions," but as a warning that "unnecessary and unjustified inflation of the grades of positions cannot be excused or tolerated."

The continuing concern about the problem of unwarranted salary increases was also described in the letters sent to the heads of the various departments and agencies which set forth the budget allowances for fiscal year 1966:

"The Bureau of the Budget has been increasingly concerned that the almost continuous rise in the average grades of Federal employees, the large increase in the numbers of higher grade jobs, and the steady increase in average salaries in Federal agencies have proceeded at a rate higher than is compatible with the principle of comparability with salaries outside the Government which was accepted by the Congress in the Federal Salary Reform Act of 1962. Each year Circular No. A-11, giving instructions for the preparation of agency budget estimates, required special justification for increases in average salary which exceed the effect of within-grade promotions and reasonable changes in position structure.

"In recognition of the fact that the control of agency grade structure and average salaries is a

primary responsibility of agency management, the budget allowance letters last year requested each agency head to make every effort to maintain the average grade for his agency for the remainder of fiscal year 1964 and for all of 1965 at the same level as 1963, with the result that the then current average salary would be held except as modified by the effect of the Federal Salary Reform Act and the net effect of within-grade promotions. Subsequently, in April 1964, the attention of the heads of all the major agencies was drawn to the upward creep in average grade and especially to the particularly large increase in the higher grades, and they were asked to take steps to remedy the situation in these large agencies. Circular No. A-11, giving instructions for the 1966 budget, repeated and strengthened the justification requirements of previous years and, in addition, called for special information on the numbers of positions at grades GS-14 and above.

"Our review of agency budget submissions for 1966 added to our concern. Generally, the actual numbers of higher grade jobs at the end of 1964 were greater than shown in the 1965 budget last January. Likewise, the numbers of higher grade jobs proposed for 1965 were usually significantly greater than budgeted last January. Further increases were generally proposed for 1966. The average salaries followed the same pattern."

3. Actions on the 1966 budget. Because of the growing concern described in paragraph 2 above, special emphasis was given to average salaries and upper grades in the examination and review of the 1966 budget. Agency budget requests and justifications containing special information on upper grades and average salaries were considered carefully in the light of each agency's program responsibilities. As a result of this review, the 1966 budget as recommended by the President to the Congress provides for an increase of about three thousand filled positions at GS-14 and above, or their equivalent, between June 1964 and June 1966. This compares with an actual increase of more than ten thousand filled positions at these higher grades between June 1962 and June 1964.

4. Nature of allowances. The nature of the allowances for upper level grades and average salaries was described in the letter sent to each department and agency head which set forth the budget allowances for fiscal year 1966:

"We have recently transmitted to your staff the numbers of positions in grade GS-14 and in each grade above (or their equivalent), which are limits in total for your agency on the numbers of such positions in each grade shown for the years 1965 and 1966 in the detailed personnel compensation schedules in the 1966 budget document. These numbers are objectives toward which you are asked to work for the remainder of fiscal year 1965 and for fiscal year 1966. While they are not imposed as ceilings, it is expected that every reasonable effort will be made to make the authorized position structure at the end of each year come within the numbers specified, except for changes within the total resulting from downgrading of positions and from allocations of super-grade positions by the Civil Service Commission. The position management system required by our Circular No. A-44 should be operated with that end in view.

"Average salary figures for the fiscal years 1965 and 1966 are listed in the schedule for your agency. These average salaries were the maximum permissible for printing in the personnel summary schedules for the respective accounts. The personnel compensation costs for each appropriation for the remainder of 1965 and for 1966 should be based on them. The amount shown for 1966 for each account is a ceiling on the average salary for that account and is to govern the development of your program plans for 1966. However, the amounts listed for 1965 represent objectives, rather than ceilings, since they may be lower than the existing average, and be difficult to reach in so short a time. Nevertheless, it is expected that every reasonable effort will be made, as new positions are established and vacancies occur, to modify the position structure so that the average salary objective will be achieved by the end of the current year.

"It should be clearly understood that actions to achieve the objectives and ceiling established herein are not to include demotions, reductions in force, or other actions affecting incumbents. Rather it is expected that reductions will be accomplished through the normal process of turnover without affecting those now on the rolls. Moreover, in the case of the ceilings on 1966 average salaries, if it appears that, after all other feasible steps have been taken, dismissals or downgradings of incumbents would be required to meet a ceiling, we shall want to review the ceiling at your request. A request for adjustment in the allowable average salary will also be in order in cases where dollar savings will be achieved by reducing the total number of positions (for example, in reductions in positions having salaries below the average)."

5. Adjustments in the 1966 average salary ceiling. Requests for adjustments in the 1966 average salary ceiling for any account will be in order under the following conditions:

a. When, after all other feasible steps have been taken, it appears that dismissals or downgradings of incumbents would be required to meet the ceiling for that account; or

b. When congressional action on the 1966 budget request, or on supplemental requests or budget amendments transmitted after the budget, clearly requires a reduction in the number of requested positions carrying salaries below the average, or an increase in the number of positions carrying grades above the average; or


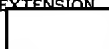
c. When it is desired to achieve dollar savings by reducing the total number of positions financed by the appropriation with a resulting increase in the average salary.

Instructions relating to the review of average salaries in the process of preparing the 1967 budget will be contained in the annual revision of Circular No. A-11. Under normal circumstances, it would be expected that adjustments under b and c above would be reflected in the agency's 1967 budget submission and would be considered in examining the 1967 budget. It would also be expected that the need for adjustments under a above would not become clear before the time the agency 1967 budget submissions are received.

6. Reporting on objectives. Reports on actual accomplishment for 1965 in relation to the objectives for positions in grades GS-14 and above and for average salaries will be made by agencies in connection with their 1967 budget submissions. The annual revision of Circular No. A-11 will provide the instructions that may be needed for such reporting. In addition, it will set forth policies to guide the agencies in reviewing and reporting on progress toward the 1966 objectives. For purposes of present planning, however, it is expected that Circular No. A-11 will require submission to the Bureau of the Budget by September 1, 1965, of a summary showing, for the agency as a whole, the number of positions in each grade GS-14 and above comprising the authorized position structure and the actual employment in those positions as of June 1965. The summary would be accompanied by such brief explanatory material as the agency head might deem appropriate, including the reasons in any case where an objective has been exceeded.

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CHARLES L. SCHULTZE  
Director

<b>TRANSMITTAL SLIP</b>		DATE 6/24/65
TO: Mr. Warner		
ROOM NO. 7D01	BUILDING Headquarters	
REMARKS:  For your information  		
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